

**TO:** CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE  
**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER  
**SUBJECT:** MAY FY 2016 FINANCIAL REPORT  
**DATE:** 6/23/2016

**Financial Overview**

The net change in assets before depreciation for the 11 months ending May 31, 2016 was slightly better than budget expectations by \$22,100 (\$2.08 MM loss vs \$2.10 MM budgeted).

Program revenues continued to run lower than budget for the year (\$32.8 million vs \$37.8 million) primarily due to the combination of lower covered lives reported for the special assessment fee than what was initially budgeted and lower than budgeted effectuated enrollment for the carrier fee. The budget for special assessment revenue was derived based on preliminary covered lives data that was overstated. The covered lives data used to compute the budget was self-reported by the carriers and the initial counts used for the budget included some ineligible non-medical plan lives resulting in an overstatement of budgeted revenues for the year.

The table below summarizes the financial results through May 31, 2016. Detailed financial statements including a statement of cash flows are attached to this memo.

\$'s in 000's		Actuals (YTD)	Budget/Target (YTD)	% of Budget/Target
<b>Financial Results</b>				
<i>Revenues</i>				
Program Revenue		32,813	37,846	86.7%
Grant Revenue		3,064	2,500	122.6%
Total Revenue		41,348	45,716	90.4%
<i>Expenditures</i>				
Customer Service		18,413	20,765	88.7%
Technology Operations		14,026	14,329	97.9%
General and Administrative		8,644	10,043	86.1%
Operations		1,322	1,335	99.1%
Marketing		1,020	1,344	75.9%
Total Expenditures		43,425	47,816	90.8%
Earnings Before Depreciation		(2,077)	(2,099)	
<b>General Financial Metrics</b>				
Cash		12,803	12,235 <span style="color: red;">▼</span>	104.6%
Working Capital		21,142	20,573	102.8%
Avg Effectuated Enrollment		118,800 <span style="color: red;">▼</span>	137,085 <span style="color: red;">▼</span>	86.7%

Some of the more significant revenue and expense variances for the nine months were:

### **Revenue**

Revenue for the period came in below budget by 4.4 million for the 11 months. Aside from the negative special assessment fee variance, there was a positive grant variance of \$564,000 used to fund special projects including assisting in the transition of HealthOp customers. Carrier administration fee revenue is running \$590,000 below budget for the year primarily due to lower effectuated enrollment than what was originally anticipated (119,000 vs 137,000 average for the 11 months). Not included in the revenue variance is the recognition of Federal grant funds in this fiscal year due to prior audit findings disallowing certain prepaid expenditures made prior to the current fiscal year.

### **Expenditures**

Operating expenses came in at \$4.4 million lower than budget expenses for the period, excluding depreciation expense. The operating expense variance consists of the following significant variances:

- Customer Service Center (-\$2.0 million) - the positive variance is the result of contract changes that were not fully incorporated into the original budget. These changes provided for a more predictable expenditure level and shifted some of the risk to the contractor for variability in call volumes.
- Technology Operations (-\$303,000) - under budget due to lower level of special project work by vendors.
- G&A Salary and Benefit Expenses (-\$1.4 million) - expenses lower than budget due primarily to postponing some hiring along with budget not accounting for staff attrition.

### **Cash**

The cash balance at May 31, 2016 was \$568,000 higher than budget projections. A statement of cash flows is attached to this memo showing come detail behind the change in cash. Cash decreased by \$20.9 million during the eleven months ending May 31, 2016. In addition to the impact of the operating loss on cash, one of the contributors to the decrease in cash for the period related to large vendor liabilities incurred in the prior fiscal year that payment was delayed and paid in the current year (\$3.4 million). Also contributing to the decrease in cash was \$4.3 million in marketplace software enhancements during the period along with non-cash revenue recognized due to the Federal revenue from the prior year (\$5 million).

**Connect for Health Colorado**  
**Statement of Activities - Consolidated**  
**FY 2015 Budget to Actual**  
 Eleven Months Ending May 31, 2016

	Year To Date 05/31/2016			Annual Budget
	Actual	Budget	Budget Diff	Budget
<b>Revenue</b>				
Grant Revenue				
Federal Grants	5,346,701	5,346,701	0	5,346,701
Health Foundation Grant	3,063,800	2,500,000	563,800	2,500,000
<b>Total Grant Revenue</b>	<b>8,410,501</b>	<b>7,846,701</b>	<b>563,800</b>	<b>7,846,701</b>
Program Revenue				
Individual Fees	12,033,462	12,623,100	(589,638)	14,681,660
SHOP Fees	251,295	422,674	(171,379)	512,974
Market Assessment Fees	15,528,086	19,800,000	(4,271,914)	21,960,000
Medicaid Reimbursement	0	0	0	2,500,000
Tax Credit Donations	5,000,000	5,000,000	0	5,000,000
<b>Total Program Revenue</b>	<b>32,812,843</b>	<b>37,845,774</b>	<b>(5,032,931)</b>	<b>44,654,634</b>
Investment Income	22,053	24,000	(1,947)	25,000
Revenue - Other	102,428	0	102,428	0
<b>Total Revenue</b>	<b>41,347,825</b>	<b>45,716,475</b>	<b>(4,368,650)</b>	<b>52,526,335</b>
<b>Expenditures</b>				
Customer Service Center	15,937,325	17,952,242	(2,014,917)	18,873,085
Assistance Network	2,475,902	2,812,333	(336,431)	3,030,000
<b>Total Customer Service</b>	<b>18,413,227</b>	<b>20,764,575</b>	<b>(2,351,348)</b>	<b>21,903,085</b>
Marketing & Outreach	1,019,607	1,343,500	(323,893)	1,364,000
Technology				
Technology Consulting				
PMO	240,735	385,000	(144,265)	420,000
Security - Marketplace	30	175,000	(174,970)	175,000
Tech Implementation - CGI	1,085,412	807,367	278,045	826,200
Tech Implementation - Other	294,571	127,017	167,554	139,267
CGI Hosting	1,684,877	1,793,473	(108,596)	1,956,516
CGI Maint & Support	2,673,583	3,044,916	(371,333)	3,362,636
Oracle CX Licensing	568,542	568,542	0	620,227
Oracle Platform Maint & Support	1,700,025	1,700,025	(0)	1,854,849
hCentive Developer License	1,567,067	1,522,514	44,553	1,658,197
Healthation Support (CGI)	47,839	31,893	15,946	31,893
Non-CGI Hosting & Support	272,372	243,438	28,935	254,413
Shared Eligibility System	2,544,573	2,594,989	(50,416)	2,623,600
Carrier Support	1,346,336	1,335,200	11,136	1,395,520
<b>Total Technology</b>	<b>14,025,962</b>	<b>14,329,373</b>	<b>(303,411)</b>	<b>15,318,318</b>
Ops, Financial Management & Misc. Direct				
Procurement and Financial Analysis	240	16,500	(16,260)	18,000
Operations Consulting	1,190,047	1,239,000	(48,953)	1,373,000
Training	132,058	79,400	52,658	80,200
<b>Total Ops, Financial Management &amp; Misc. Direct</b>	<b>1,322,345</b>	<b>1,334,900</b>	<b>(12,555)</b>	<b>1,471,200</b>
General and Administrative Expenses				
Salary and Wages	5,035,345	6,263,573	(1,228,228)	6,854,234
PR Benefits	1,719,764	2,011,148	(291,384)	2,201,356
Bad Debt Expenses	0	0	0	0
Conferences, Conventions, and Meetings	92,555	39,600	52,955	43,200
Copying and Printing	26,715	24,200	2,515	26,400
Due and Subscriptions	38,097	2,200	35,897	2,400
Insurance	88,605	90,200	(1,595)	98,400
Miscellaneous Expense	4,079	367	3,712	400
Occupancy	456,338	466,583	(10,245)	509,000
Office Supplies	99,185	78,333	20,852	82,000
Professional Fees	759,890	778,223	(18,333)	840,710
Telecommunication	266,291	202,400	63,891	220,800
Travel Expenses	56,880	86,533	(29,653)	94,400
<b>Total General and Administrative Expenses</b>	<b>8,643,744</b>	<b>10,043,360</b>	<b>(1,399,616)</b>	<b>10,973,300</b>
Depreciation	11,104,043	11,109,000	(4,957)	11,988,000
<b>Total Expenditures</b>	<b>54,528,928</b>	<b>58,924,709</b>	<b>(4,395,781)</b>	<b>63,017,903</b>
<b>Change In Net Assets</b>	<b>(13,181,103)</b>	<b>(13,208,234)</b>	<b>27,131</b>	<b>(10,491,568)</b>
<b>+ Net Assets - Beginning</b>	<b>69,534,321</b>	<b>69,534,321</b>	<b>69,534,321</b>	<b>69,534,321</b>
<b>Net Assets - Ending</b>	<b>56,353,218</b>	<b>56,326,087</b>	<b>69,561,452</b>	<b>59,042,753</b>

**Connect for Health Colorado**  
**Statement of Financial Position**  
**As May 31, 2016**

ACCRUAL

	Year To Date 05/31/2016	Prior Year To Date 05/31/2015
	Current Year Balance	Prior Year Balance
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	12,803,337	36,765,071
Accounts Receivable, Net	12,656,463	4,745,340
Grants Receivable	220,626	(7,094,536)
<b>Other Current Assets</b>		
Prepaid Ins Rent & Misc	164,224	118,626
Prepaid Software & Support	4,217,219	6,079,117
Prepaid Network Grantee Advances	0	8,302
Total Pre-Paid Expenses	4,381,443	6,206,045
Total Other Current Assets	4,381,443	6,206,045
Total Current Assets	30,061,869	40,621,920
<b>Long-term Assets</b>		
<b>Property &amp; Equipment</b>		
Furniture & Fixtures	833,775	833,775
Equipment	1,117,696	1,083,698
Software Licenses	13,356,447	13,356,446
Marketplace Development	39,636,475	35,322,328
Informational Website	200,267	200,268
Ptarmigan Tenant Improvements	125,435	125,435
CSC Tenant Improvements	1,818,207	1,818,206
Total Property & Equipment	57,088,302	52,740,156
<b>Accumulated Depreciation</b>		
Accum Depr - Furniture & Fixtures	(317,761)	(198,649)
Accum Depr - Equipment	(573,591)	(353,338)
Accum Amort - Software License	(7,655,485)	(5,038,844)
Accum Depr - Marketplace Developme	(17,197,545)	(8,434,868)
Accum Depr - Informational Website	(96,776)	(54,886)
Accum Depr - Ptarmigan Tenant Impro	(67,989)	(38,757)
Accum Depr - CSC Tenant Improvemei	(711,969)	(451,678)
Total Accumulated Depreciation	(26,621,116)	(14,571,020)
Other Long-term Assets	189,364	18,719
Total Long-term Assets	30,656,550	38,187,855
Total Assets	60,718,419	78,809,775
<b>Liabilities</b>		
<b>Liabilities</b>		
<b>Short-term Liabilities</b>		
Accounts Payable	3,786,176	8,718,239
<b>Accrued Liabilities</b>		
Accrued Payroll, PR Tax & Benefits	356,609	245,345
Accrued CGI Hosting	173,117	566,217
Total Accrued Liabilities	529,726	811,562
Deferred Revenue	0	8,302
Other Short-term Liabilities	2,165	4,044
Total Short-term Liabilities	4,318,067	9,542,147
<b>Long Term Liabilities</b>		
Other Long-term Liabilities	47,134	37,016
Total Long Term Liabilities	47,134	37,016
Total Liabilities	4,365,201	9,579,163
<b>Net Assets</b>		
Unrestricted	56,353,218	69,230,612
Total Net Assets	56,353,218	69,230,612
Total Liabilities & Net Assets	60,718,419	78,809,775

**Connect for Health Colorado**  
**FY 2015-2016 Cash Flow Statement**  
**As of May 31, 2016**

	<b>YTD - Actual May'16</b>
<b>Cash flows from operating activities:</b>	
Change in Net Assets	(\$13,181,104)
Change in Cash from Operating Activities	
Depreciation	\$11,104,042
A/R	(\$6,520,250)
Grants A/R	(\$220,626)
Deferred Revenue	\$8,756
Prepaid Expenses	\$1,527,906
Other Assets	(\$170,644)
A/P	(\$9,155,669)
Other Liabilities	\$0
Net cash used by Operating Activities	(\$3,426,485)
Cash flow from investing activities	
Capital Expenditures	(\$4,330,146)
Net cash used by Investing Activities	(\$4,330,146)
Cash flow from financing activities	\$0
Net cash used by Financing Activities	\$0
<b>Increase (Decrease) in Cash</b>	<b>(\$20,937,734)</b>
<b>Cash, Beginning Period</b>	<b>\$33,741,071</b>
<b>Cash, End of Period</b>	<b>\$12,803,337</b>